

07-CV-00797-CMP

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AT SEATTLE
 CLERK U.S. DISTRICT COURT
 WESTERN DISTRICT OF WASHINGTON
 BY DEPUTY

UNITED STATES DISTRICT COURT
 WESTERN DISTRICT OF WASHINGTON
 AT SEATTLE

ZANGO, INC.,

Plaintiff,

v.

PC TOOLS PTY, LTD.,

Defendant.

No.

CV7 797 JPD

NOTICE OF REMOVAL

ORIGINAL

TO: ZANGO, INC.

AND TO KELLY CORR and STEVEN W. FOGG, CORR CRONIN MICHELSON
 BAUMGARDNER & PREECE LLP, 1001 Fourth Avenue, Suite 3900,
 Seattle, WA 98154-1051

AND TO: THE CLERK OF THE UNITED STATES DISTRICT COURT FOR THE
 WESTERN DISTRICT OF WASHINGTON

COMES NOW, Defendant PC Tools Pty, Ltd., by and through its attorneys, Holland &
 Hart LLP and Steel Rives LLP, and hereby removes the action filed in the Superior Court of
 Washington for King County, pursuant to 28 U.S.C. § 1441, and in support thereof states as
 follows:

1. On or about May 15, 2007, Zango, Inc. filed a complaint against Defendant PC
 Tools Pty, Ltd. in the Superior Court of Washington for King County, entitled *Zango, Inc. v. PC
 Tools Pty, Ltd.*, No. 07-2-15844-8 SEA.

NOTICE OF REMOVAL - 1

Seattle 3369954.1 0099999-00006

STEEL RIVES LLP
 ATTORNEYS
 600 University Street, Suite 3600, Seattle, WA 98101
 Telephone (206) 624 0900

Dockets.Justia.com

SEA 9616

1 2. Pursuant to 28 U.S.C. § 1446(a), copies of all of the process, pleadings, and
2 orders that Defendant has received in this action to date are attached hereto as Exhibit 1.
3 Defendant has not yet answered or otherwise responded to Plaintiff's Complaint.

4 3. This Court has original "diversity" jurisdiction over this civil action pursuant to
5 28 U.S.C. § 1332. As alleged in Plaintiff's Complaint, Zango, Inc. is a corporation organized
6 under the laws of the State of Washington and is based in Bellevue, Washington. Defendant PC
7 Tools Pty, Ltd. is a privately owned company based in Australia with offices in San Francisco,
8 California and in Australia. Thus, there is complete diversity of the parties pursuant to 28 U.S.C.
9 § 1332. Defendant is not a resident of the State of Washington. 28 U.S.C. § 1441(b).

10 4. The amount in controversy exceeds the sum or value of \$75,000.00, exclusive of
11 interest and costs. *See Complaint* at 7 (alleging that "damages . . . are estimated to be no less
12 than \$35 million). Accordingly, removal is appropriate under 28 U.S.C. § 1441(a).

13 5. This Notice of Removal is filed in this Court within thirty (30) days of
14 Defendant's receipt of Plaintiff's Complaint as required by 28 U.S.C. § 1446(b). The state court
15 in which this action was commenced is within this Court's district. Therefore, this action is
16 properly removed to this Court pursuant to 28 U.S.C. §§ 1441(a) and 1446.

17 6. A copy of this Notice of Removal will be promptly served upon the parties and
18 filed with the Clerk of the Superior Court of Washington for King County in accordance with
19 28 U.S.C. § 1446(d).

20 7. A copy of the Notice of Removal (not including exhibits) that Defendant filed in
21 the Superior Court of Washington for King County and served on Plaintiff is being filed
22 contemporaneously with this Notice of Removal.

23 8. Defendant PC Tools Pty, Ltd. hereby expressly reserves all rights to assert all
24 defenses to this action, including, but not limited to, insufficiency of service of process and lack
25
26

1 of personal jurisdiction. This Notice of Removal should not be construed as prejudicing the right
2 of Defendant PC Tools Pty, Ltd. to assert all defenses.

3 WHEREFORE, Defendant PC Tools Pty, Ltd. respectfully gives notice that the action
4 now pending in the Superior Court of Washington for King County has been removed therefrom
5 to this Court.

6
7 DATED: May 24, 2007.

8
9 Respectfully submitted,

10 /s/

11 J. Ronald Sim, WSBA No. 4888
12 Maren R. Norton, WSBA No. 35435
13 Stoel Rives LLP
14 600 University Street, Suite 3600
15 Seattle, WA 98101-3197
16 Attorneys for Defendant
Telephone: (206) 624-0900
Fax: (206) 386-7500
jrsim@stoel.com
mmorton@stoel.com

17 Tarek F. Saad, Colorado Bar No. 26242 (*Pro Hac*
18 *Pending*)
19 Conor F. Farley, Colorado Bar No. 31622 (*Pro Hac*
20 *Pending*)
21 HOLLAND & HART LLP
22 555 Seventeenth Street, Suite 3200
23 Post Office Box 8749
24 Denver, Colorado 80201-8749
Attorneys For Defendant
Telephone: (303) 295-8000
Fax: (303) 295-8261
tfsaad@hollandhart.com
cfarley@hollandhart.com

25 *Attorneys for Defendant PC Tools Pty, Ltd.*
26

CERTIFICATE OF SERVICE

I hereby certify that on May 24, 2007, I served a true and correct copy of the foregoing by electronic transmission and by depositing same in the United States mail, first class postage fully prepaid to the persons and addresses listed below:

Kelly P. Corr
Steven W. Fogg
CORR CRONIN MICHELSON BAMGARDNER & PREECE, LLP
1001 Fourth Avenue, Suite 3900
Seattle, WA 98154-1051
(206) 625-8600
(206) 625-0900(f)
kcorr@correronin.com
sfogg@correronin.com

/s/
J. Ronald Sim, WSBA No. 4888
Maren R. Norton, WSBA No. 35435
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600 University Street, Suite 3600
Seattle, WA 98101-3197
Attorneys for Defendant
Telephone: (206) 624-0900
Fax: (206) 386-7500
jrsm@stoel.com
mrnorton@stoel.com

KING COUNTY SUPERIOR COURT
CASE ASSIGNMENT DESIGNATION
and
CASE INFORMATION COVER SHEET
(cics)

In accordance with LR82(e), a faulty document fee of \$15 will be assessed to new case filings missing this sheet pursuant to King County Code 4.71.100.

CASE NUMBER: _____

CASE CAPTION: Zango, Inc. v. PC Tools Pty Ltd.

I certify that this case meets the case assignment criteria, described in King County LR 82(e), for the:

X Seattle Area, defined as:

All of King County north of Interstate 90 and including all of the Interstate 90 right-of-way; all the cities of Seattle, Mercer Island, Bellevue, Issaquah and North Bend; and all of Vashon and Maury Islands.

_____ Kent Area, defined as:

All of King County south of Interstate 90 except those areas included in the Seattle Case Assignment Area.

Signature of Petitioner/Plaintiff

Date

or



Signature of Attorney for
Plaintiff

¹⁵
May 2007

Date

Kelly P. Corr, WSBA No. 00555

Steven W. Fogg, WSBA No. 23528

**KING COUNTY SUPERIOR COURT
CASE ASSIGNMENT DESIGNATION**

**and
CASE INFORMATION COVER SHEET**

Please check one category that best describes this case for indexing purposes. Accurate case indexing not only saves time but helps in forecasting judicial resources. A faulty document fee of \$15 will be assessed to new case filings missing this sheet pursuant to Administrative Rule 2 and King County Code 4.71.100.

APPEAL/REVIEW

- ☐ Administrative Law Review (ALR 2)*
☐ DOL Implied Consent- Test Refusal -only RCW 46.20.308 (DOL 2)*
☐ DOL- all other appeals (ALR 2) *

CONTRACT/COMMERCIAL

- ☐ Breach of Contract (COM 2)*
☐ Commercial Contract (COM 2)*
☐ Commercial Non-Contract (COL 2)*
☐ Meretricious Relationship (MER 2)*
☐ Third Party Collection (COL 2)*

DOMESTIC RELATIONS

- ☐ Annulment/Invalidity (INV3)*
 with dependent children? Y / N; wife pregnant? Y / N
☐ Child Custody (CUS 3)*
☐ Nonparental Custody (CUS 3)*
☐ Dissolution With Children (DIC 3)*
☐ Dissolution With No Children (DIN 3)*
 wife pregnant? Y / N
☐ Enforcement/Show Cause- Out of County (MSC 3)
☐ Establish Residential Sched/Parenting Plan(PPS 3)* **
☐ Establish Supprt Only (PPS 3)* **
☐ Legal Separation (SEP 3)*
 with dependent children? Y / N; wife pregnant? Y / N
☐ Mandatory Wage Assignment (MWA 3)
☐ Modification (MOD 3)*
☐ Modification - Support Only (MDS 3)*
☐ Out-of-state Custody Order Registration (FJU 3)
☐ Out-of-State Support Court Order Registration (FJU 3)
☐ Reciprocal, Respondent Out of County (ROC 3)
☐ Reciprocal, Respondent in County (RIC 3)
☐ Relocation Objection/Modification (MOD 3)*

ADOPTION/PATERNITY

- ☐ Adoption (ADP 5)
☐ Challenge to Acknowledgment of Paternity (PAT 5)*
☐ Challenge to Denial of Paternity (PAT 5)*
☐ Confidential Intermediary (MSC 5)
☐ Establish Parenting Plan-Existing King County Paternity (MSC 5)*
☐ Initial Pre-Placement Report (PPR 5)
☐ Modification (MOD 5)*
☐ Modification-Support Only (MDS 5)*
☐ Paternity, Establish/Disestablish (PAT 5)*
☐ Paternity/UIFSA (PUR 5)*
☐ Out-of-State Custody Order Registration (FJU 5)
☐ Out-of-State Support Order Registration (FJU5)
☐ Relinquishment (REL 5)
☐ Relocation Objection/Modification (MOD 5)*
☐ Rescission of Acknowledgment of Paternity (PAT 5)*
☐ Rescission of Denial of Paternity (PAT 5)*
☐ Termination of Parent-Child Relationship (TER 5)

DOMESTIC VIOLENCE/ANTIHARASSMENT

- ☐ Civil Harassment (HAR 2)
☐ Confidential Name Change (CHN 5)
☐ Domestic Violence (DVP 2)
☐ Domestic Violence with Children (DVC 2)
☐ Foreign Protection Order (FPO 2)
☐ Vulnerable Adult Protection (VAP 2)

** Paternity Affidavit or Existing/Paternity is not an issue and NO other case exists in King County* The filing party will be given an appropriate case schedule. ** Case schedule will be issued after hearing and findings.

**KING COUNTY SUPERIOR COURT
CASE ASSIGNMENT DESIGNATION
and**

CASE INFORMATION COVER SHEET

Please check one category that best describes this case for indexing purposes. Accurate case indexing not only saves time but helps in forecasting judicial resources. A faulty document fee of \$15 will be assessed to new case filings missing this sheet pursuant to Administrative Rule 2 and King County Code 4.71.100.

PROPERTY RIGHTS

- ☐ Condemnation/Eminent Domain (CON 2)*
- ☐ Foreclosure (FOR 2)*
- ☐ Land Use Petition (LUP 2)*
- ☐ Property Fairness (PFA 2)*
- ☐ Quiet Title (QTI 2)*
- ☐ Unlawful Detainer (UND 2)

JUDGMENT

- ☐ Confession of Judgment (MSC 2)*
- ☐ Judgment, Another County, Abstract (ABJ 2)
- ☐ Judgment, Another State or Country (FJU 2)
- ☐ Tax Warrant (TAX 2)
- ☐ Transcript of Judgment (TRJ 2)

OTHER COMPLAINT/PETITION

- ☐ Action to Compel/Confirm Private Binding Arbitration (MSC 2)
- ☐ Certificate of Rehabilitation (MSC 2)
- ☐ Change of Name (CHN 2)
- ☐ Deposit of Surplus Funds (MSC 2)
- ☐ Emancipation of Minor (EOM 2)
- ☐ Frivolous Claim of Lien (MSC 2)
- ☐ Injunction (INJ 2)*
- ☐ Interpleader (MSC 2)
- ☐ Malicious Harassment (MHA 2)*
- ☐ Non-Judicial Filing (MSC 2)
- ☐ Other Complaint/Petition (MSC 2)*
- ☐ Seizure of Property from the Commission of a Crime (SPC 2)*
- ☐ Seizure of Property Resulting from a Crime (SPR 2)*
- ☐ Structured Settlements (MSC 2)*
- ☐ Subpoena (MSC 2)

PROBATE/GUARDIANSHIP

- ☐ Absentee (ABS 4)
- ☐ Disclaimer (DSC4)
- ☐ Estate (EST 4)
- ☐ Foreign Will (FNW 4)
- ☐ Guardian (GDN4)
- ☐ Limited Guardianship (LGD 4)
- ☐ Minor Settlement (MST 4)
- ☐ Notice to Creditors -- Only (NNC 4)
- ☐ Trust (TRS 4)
- ☐ Trust Estate Dispute Resolution Act/POA (TDR 4)
- ☐ Will Only --Deceased (WLL4)

TORT, MEDICAL MALPRACTICE

- ☐ Hospital (MED 2)*
- ☐ Medical Doctor (MED 2)*
- ☐ Other Health Care Professional (MED 2)*

TORT, MOTOR VEHICLE

- ☐ Death (TMV 2)*
- ☐ Non-Death Injuries (TMV 2)*
- ☐ Property Damage Only (TMV 2)*

TORT, NON-MOTOR VEHICLE

- ☐ Asbestos (PIN 2)**
- ☐ Implants (PIN 2)
- ☐ Other Malpractice (MAL 2)*
- ☐ Personal Injury (PIN 2)*
- ☐ Products Liability (TTO 2)*
- ☐ Property Damage (PRI 2)*
- ☐ Wrongful Death (WDE 2)*
- ☒ Tort, Other (TTO 2)*

WRIT

- ☐ Habeas Corpus (WHC 2)
- ☐ Mandamus (WRM 2)**
- ☐ Review (WRV 2)**

* The filing party will be given an appropriate case schedule. ** Case schedule will be issued after hearing and findings.

SUPERIOR COURT OF WASHINGTON FOR KING COUNTY

ZANGO, INC.,

Plaintiff,

v.

PC TOOLS PTY LTD.,

Defendant.

No.

SUMMONS (20 DAYS)

TO: PC TOOLS PTY LTD.
150 Spear St., Suite 500
San Francisco, CA 94105-1541

A lawsuit has been started against you in the above-entitled court by Zango, Inc., plaintiff. Plaintiff's claims are stated in the written complaint, a copy of which is served upon you with this summons.

In order to defend against this lawsuit, you must respond to the complaint by stating your defense in writing, and serve a copy upon the undersigned lawyer for plaintiff within 20 days after the service of this summons, excluding the day of service, or a default judgment may be entered against you without notice. A default judgment is one where the plaintiff is entitled to what is asked for because you have not responded.

If you serve a notice of appearance on the undersigned lawyer, you are entitled to notice before a default judgment may be entered.

SUMMONS (20 DAYS) - 1

CORR CRONIN MICHELSON
BAUMGARDNER & PREECE LLP
1001 Fourth Avenue, Suite 3900
Seattle, Washington 98154-1051
Tel (206) 625-8600
Fax (206) 625-0900


1 If not previously filed, you may demand that the plaintiff file this lawsuit with the
2 court. If you do so, the demand must be in writing and must be served upon the plaintiff.
3 Within 14 days after you serve your demand, the plaintiff must file this lawsuit with the court,
4 or the service on you of this summons and complaint will be void.

5 If you wish to seek the advice of a lawyer in this matter, you should do so promptly so
6 that your written response, if any, may be served on time.

7 This summons is issued pursuant to Rule 4 of the Civil Rules for Superior Court of the
8 State of Washington.

9 DATED this 15th day of May, 2007.

10 CORR CRONIN MICHELSON
11 BAUMGARDNER & PREECE LLP

12 
13 Kelly P. Cronin, WSBA No. 00555
14 Steven W. Fogg, WSBA No. 23528
15 Attorneys for Plaintiff
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SUMMONS (20 DAYS) - 2

CORR CRONIN MICHELSON
BAUMGARDNER & PREECE LLP
1001 Fourth Avenue, Suite 3900
Seattle, Washington 98154-1051
Tel (206) 625-8600
Fax (206) 625-0900

SUPERIOR COURT OF WASHINGTON FOR KING COUNTY

ZANGO, INC.,

Plaintiff,

v.

PC TOOLS PTY, LTD.,

Defendant.

No.

COMPLAINT

I. INTRODUCTION

Plaintiff Zango, Inc. ("Zango") is a Bellevue-based company that provides content to its customers via the Internet. On May 11, 2007, Zango learned that its software – which has been consensually installed by millions of users – has come under surreptitious attack by a "scanning application" marketed by defendant PC Tools Pty Ltd. ("PC Tools"). Once installed on a user's computer, PC Tools' scanning application – known as "Spyware Doctor Starter Edition" – libels and destroys Zango's software programs, eliminating Zango's ability to engage in the business relationship it has developed with its existing customers and to foster that relationship with new customers. Spyware Doctor provides the computer user with no specific warning that Zango's software application will be deleted; instead, Zango's software simply vanishes from the user's computer, leaving Zango with no means of contacting or communicating with its customers.

COMPLAINT – 1

CORR CRONIN MICHELSON
 BAUMGARDNER & PREECE LLP
 1001 Fourth Avenue, Suite 3900
 Seattle, Washington 98154-1051
 Tel (206) 625-8600
 Fax (206) 625-0900

1 Zango has also learned that since March 29, 2007, Spyware Doctor Starter Edition has
 2 been distributed to millions of computer users as part of a "Google Pack" of software tools
 3 bundled together and marketed by Google. As a result of Spyware Doctor's widespread
 4 distribution, Zango has suffered irreparable harm to its business model and reputation that
 5 continues day by day. In order to combat this attack, Zango files this complaint to seek
 6 immediate judicial relief, for without quick intervention by this court, Zango will continue to
 7 suffer harm that cannot adequately be compensated at law.

8 **II. IDENTITY OF PARTIES**

9 1. Plaintiff Zango, Inc. ("Zango") is a corporation organized under the laws of the
 10 state of Washington. Zango is based in Bellevue, Washington.

11 2. Defendant PC Tools Pty Ltd ("PC Tools") is a privately owned company based
 12 in Australia. PC Tools maintains offices in San Francisco, California and in Australia.

13 **III. STATEMENT OF JURISDICTION AND VENUE**

14 3. This Court has jurisdiction pursuant to RCW 4.28.185.

15 4. Venue is proper in this Court pursuant to RCW 4.12.020.

16 **IV. FACTUAL BACKGROUND**

17 5. Zango is an online media company providing consumers free access to a large
 18 catalog of online videos, games, music, tools and utilities. Zango's products are offered to
 19 customers free of charge and are sponsored by advertising that customers agree to view as a
 20 condition of using the products. Zango also offers a premium version of its software that
 21 gives consumers access to Zango's content catalog without having to agree to see advertising.

22 6. Zango's proprietary software displays advertisements (to all non-premium
 23 users) while Zango customers are browsing or searching the Internet online. Zango software
 24 is designed to locate products and services that are of interest to Zango customers. It does this
 25 by recognizing keywords from customers' Internet browser and displaying relevant

1 advertisers' websites for matching products and services. Zango's software never collects the
2 personal identifying information of its users.

3 7. Zango takes extensive precautions to ensure that every Zango customer
4 affirmatively and knowingly consents to download, installation and continued usage of Zango
5 software. Before installing Zango programs, customers are provided with plain language
6 disclosures describing Zango's software and how it works, as well as a complete End User
7 License Agreement and a link to Zango's Privacy Policy. Every customer who downloads
8 Zango software programs receives a post-installation confirmation message, complete with a
9 link for more information, including uninstall instructions. Within 72 hours of downloading
10 Zango software, customers receive a reminder that they have installed Zango programs, which
11 includes information about how the software works along with uninstall information. Ninety
12 days after install, and every 90 days after that, Zango sends customers an additional reminder
13 that they have installed Zango software, including information as to how the programs work
14 and uninstall instructions. In addition, upon download, Zango programs provide a system tray
15 icon from which the customer can access program information, customer support and
16 uninstall instructions. Customers can access further information about Zango programs
17 through the "Start / All Program" menu, including direct links to customer support and
18 uninstall instructions. Advertisements delivered by Zango software are labeled as coming
19 from Zango programs and provide a link to further program information and uninstall
20 instructions. And, uninstallation of Zango programs can always be done through the
21 Add/Remove Programs function.

22 8. On information and belief, defendant PC Tools is in the business of developing
23 and marketing various computer protection and security software programs. One such
24 program is "Spyware Doctor," which PC Tools proclaims provides "spyware protection to
25 secure Windows® PCs against privacy and tracking threats."

1 9. On information and belief, on March 29, 2007, Google, Inc., an Internet
2 company, revised its "Google Pack" software package to include a product from PC Tools
3 called "Spyware Doctor Starter Edition" ("Starter Edition"). The default grouping of software
4 in the "Google Pack" includes PC Tools' Starter Edition, which means that each and every
5 one of likely millions of Google Packs distributed since March 29 and installed around the
6 world by consumers -- the exact number, on information and belief, presumably known by
7 PC Tools -- includes this Starter Edition component.

8 10. On Friday, May 11, Zango learned that Starter Edition Version 5.0.0.169
9 (Database: 5.07280) is disabling Zango installations to the point that existing, consensually
10 installed Zango software already resident on the consumer's computer no longer functions.
11 Further testing revealed that while the Starter Edition software prevents the display of
12 advertisements from Zango on behalf of Zango's advertising partners (which is the primary
13 source of Zango revenue), some existing Zango customers nonetheless are still able to access
14 the content in Zango's catalog (i.e., the movies, games, screensavers, and the like). Starter
15 Edition software damages the Zango application immediately upon installation, without
16 giving any specific notice whatsoever to Zango customers or providing any opportunity for
17 Zango customers to consent or intervene.

18 11. Zango has also learned that consumers downloading the Google Pack after
19 March 29 who did not already have Zango's software installed are now wholly unable to
20 install Zango software, thereby eliminating Google Pack users as potential Zango customers.
21 Starter Edition provides no opportunity for users who wish to download and install Zango to
22 ignore, allow, or otherwise stop Starter Edition from blocking the installation of Zango.

23 12. Zango has also learned that Starter Edition identifies Zango software as an
24 "Infection" engaged in a "Malicious Action" that represents an "Elevated Risk." PC Tools is
25 well aware that these characterizations are completely false. Indeed, on March 28, 2007,

1 Jim Meem, the director of PC Tools' Malware Research Centre, admitted in an e-mail sent to
2 Zango that "[w]e [PC Tools] have concluded that Seekmo [one of Zango's proprietary
3 software brands] is not malicious."

4 13. Since learning of Starter Edition's attack on Zango software on May 11, Zango
5 has repeatedly contacted senior PC Tools employees to demand the immediate removal of
6 Zango products from the Starter Edition detection database. On May 14, Zango repeated its
7 demand in a cease-and-desist letter sent to PC Tools' senior executive staff, including its
8 general counsel. To date, PC Tools has not complied with Zango's request, thereby causing
9 Zango continuing and irreparable damage both to its revenue and its reputation in the
10 marketplace.

11 14. PC Tools' actions have resulted in significant damage to Zango's reputation,
12 customer base and business model. That damage includes: disabling Zango software
13 purchased by customers who have elected to install a premium version of that software (retail
14 price \$29.99) in order to access free content without having to see ads; precluding any future
15 such customers from being able to install that premium software; destroying Zango's ability
16 to recoup, through both paid and ad-supported software versions, the cost of acquiring and
17 licensing for distribution the extensive content in Zango's content catalog (estimated value:
18 several million dollars); chilling Zango's ability to partner with new content providers and
19 distribution channels, thereby hindering Zango's expansion plans and devaluing its
20 investment in offices, operations, infrastructure, and employees in Washington state, North
21 America, and other parts of the world; and in other ways not yet realized or fully understood.

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V. CLAIMS FOR RELIEF

First Cause of Action:
Injunctive Relief

15. Zango incorporates and realleges the allegations contained in Paragraphs 1 through 14 above.

16. Zango has a clear legal or equitable right and a well-grounded fear of immediate invasion of that right. PC Tools' conduct has caused injury and will continue to cause injury to Zango, and the relative equities of the parties favor granting injunctive relief.

Second Cause of Action:
Tortious Interference with Contractual Rights or Business Expectancy

17. Zango incorporates and realleges the allegations contained in Paragraphs 1 through 16 above.

18. PC Tools has purposefully and knowingly interfered with Zango's business relationships, both existing and contemplated.

19. As a result of PC Tools' conduct, Zango has been harmed. Zango is therefore entitled to injunctive relief and to all damages proven at trial.

Third Cause of Action:
Violation of Washington Consumer Protection Act

20. Zango incorporates and realleges the allegations contained in Paragraphs 1 through 19 above.

21. PC Tools, through its conduct, has acted unfairly and deceptively in violation of RCW 19.86.010 et seq.

22. PC Tools' conduct occurred in trade and commerce and caused Zango substantial damage.

23. The public interest has been affected by PC Tools' conduct.

1 24. Zango is entitled to treble damages and to injunctive relief, and to recovery of
2 its attorney fees and costs in bringing this lawsuit.

3 **Fourth Cause of Action:**
4 **Trade Libel**

5 25. Zango incorporates and realleges the allegations contained in Paragraphs 1
6 through 24 above.

7 26. PC Tools, through its conduct, has made false and disparaging statements
8 about Zango's products.

9 27. PC Tools publishes its false and disparaging statements to users of Starter
10 Edition.

11 28. As a result of PC Tools' conduct, Zango has been harmed, including suffering
12 injury to its reputation and ongoing financial injury. Zango is therefore entitled to injunctive
13 relief and to all damages proven at trial.

14 **Fifth Cause of Action:**
15 **Unjust Enrichment**

16 29. Zango incorporates and realleges the allegations contained in Paragraphs 1
17 through 28 above.

18 30. PC Tools, through its conduct, has benefited from its disparagement and
19 disabling of Zango's products.

20 31. It would be inequitable for PC Tools to retain the benefit of its wrongful
21 actions. PC Tools should be required to account for, and disgorge, all revenues it received as
22 a result of its wrongful actions toward Zango.

23 **VI. RELIEF REQUESTED**


24 WHEREFORE, plaintiff prays for relief as follows:

- 25 A. For all damages as may be proven at trial (and which are estimated to be no
 less than \$35 million);

- 1 B. For treble damages pursuant to RCW 19.86.090;
2 C. For injunctive relief;
3 D. For attorneys' fees and costs; and
4 E. For such other relief as the Court may deem just and equitable.
5

6 DATED this 15th day of May, 2007.

7 CORR CRONIN MICHELSON
8 BAUMGARDNER & PREECE LLP
9

10 
11 Kelly P. Cronin, WSBA #555
12 Steven W. Fogg, WSBA #23528
13 Attorneys for Plaintiff
14 Zango, Inc.
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RECEIVED
MAY 15 P 2:38
CORR OWEN L L

IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
IN AND FOR THE COUNTY OF KING

ZANGO INC,

vs

PC TOOL S PTY LTD,

Plaintiff(s)

Defendant(s)

NO. 07-2-15844-8 SEA

Order Setting Civil Case Schedule (*ORSCS)

ASSIGNED JUDGE Carey 2

FILE DATE: 05/15/2007

TRIAL DATE: 10/27/2008

A civil case has been filed in the King County Superior Court and will be managed by the Case Schedule on Page 3 as ordered by the King County Superior Court Presiding Judge.

I. NOTICES

NOTICE TO PLAINTIFF: The Plaintiff may serve a copy of this **Order Setting Case Schedule (Schedule)** on the Defendant(s) along with the **Summons and Complaint/Petition**. Otherwise, the Plaintiff shall serve the **Schedule** on the Defendant(s) within 10 days after the later of: (1) the filing of the **Summons and Complaint/Petition** or (2) service of the Defendant's first response to the **Complaint/Petition**, whether that response is a **Notice of Appearance**, a response, or a Civil Rule 12 (CR 12) motion. The **Schedule** may be served by regular mail, with proof of mailing to be filed promptly in the form required by Civil Rule 5 (CR 5).

"I understand that I am required to give a copy of these documents to all parties in this case."

Print Name

Sign Name

I. NOTICES (continued)

NOTICE TO ALL PARTIES:

All attorneys and parties should make themselves familiar with the King County Local Rules (KCLR) -- especially those referred to in this *Schedule*. In order to comply with the *Schedule*, it will be necessary for attorneys and parties to pursue their cases vigorously from the day the case is filed. For example, discovery must be undertaken promptly in order to comply with the deadlines for joining additional parties, claims, and defenses, for disclosing possible witnesses (See KCLR 25), and for meeting the discovery cutoff date (See KCLR 37(g)).

CROSSCLAIMS, COUNTERCLAIMS AND THIRD PARTY COMPLAINTS:

A filing fee of \$200 must be paid when any answer that includes additional claims is filed in an existing case.

SHOW CAUSE HEARINGS FOR CIVIL CASES [King County Local Rule 4(g)]

A Confirmation of Joinder, Claims and Defenses or a Statement of Arbitrability must be filed by the deadline in the schedule. A review of the case will be undertaken to confirm service of the original complaint and to verify that all answers to claims, counterclaims and cross-claims have been filed. If those mandatory pleadings are not in the file, a *Show Cause Hearing* will be set before the Chief Civil or RJC judge. The Order to Show Cause will be mailed to all parties and designated parties or counsel are required to attend.

PENDING DUE DATES CANCELED BY FILING PAPERS THAT RESOLVE THE CASE:

When a final decree, judgment, or order of dismissal of all parties and claims is filed with the Superior Court Clerk's Office, and a courtesy copy delivered to the assigned judge, all pending due dates in this *Schedule* are automatically canceled, including the scheduled Trial Date. It is the responsibility of the parties to 1) file such dispositive documents within 45 days of the resolution of the case, and 2) strike any pending motions by notifying the bailiff to the assigned judge.

Parties may also authorize the Superior Court to strike all pending due dates and the Trial Date by filing a Notice of Settlement pursuant to KCLR 41, and forwarding a courtesy copy to the assigned judge. If a final decree, judgment or order of dismissal of all parties and claims is not filed by 45 days after a Notice of Settlement, the case may be dismissed with notice.

If you miss your scheduled Trial Date, the Superior Court Clerk is authorized by KCLR 41(b)(2)(A) to present an Order of Dismissal, without notice, for failure to appear at the scheduled Trial Date.

NOTICES OF APPEARANCE OR WITHDRAWAL AND ADDRESS CHANGES:

All parties to this action must keep the court informed of their addresses. When a Notice of Appearance/Withdrawal or Notice of Change of Address is filed with the Superior Court Clerk's Office, parties must provide the assigned judge with a courtesy copy.

ARBITRATION FILING AND TRIAL DE NOVO POST ARBITRATION FEE:

A Statement of Arbitrability must be filed by the deadline on the schedule if the case is subject to mandatory arbitration and service of the original complaint and all answers to claims, counterclaims and cross-claims have been filed. If mandatory arbitration is required after the deadline, parties must obtain an order from the assigned judge transferring the case to arbitration. Any party filing a Statement must pay a \$220 arbitration fee. If a party seeks a trial de novo when an arbitration award is appealed, a fee of \$250 and the request for trial de novo must be filed with the Clerk's Office Cashiers.

NOTICE OF NON-COMPLIANCE FEES:

All parties will be assessed a fee authorized by King County Code 4.71.050 whenever the Superior Court Clerk must send notice of non-compliance of schedule requirements and/or Local Rule 41.

King County Local Rules are available for viewing at www.metrokc.gov/kcsc.

II. CASE SCHEDULE

CASE EVENT	DEADLINE or EVENT DATE	Filing Needed
Case Filed and Schedule Issued.	Tue 05/15/2007	*
Confirmation of Service [See KCLR 4.1].	Tue 06/12/2007	*
Last Day for Filing Statement of Arbitrability without a Showing of Good Cause for Late Filing [See KCLMAR 2.1(a) and Notices on Page 2]. \$220 arbitration fee must be paid	Tue 10/23/2007	*
DEADLINE to file Confirmation of Joinder if not subject to Arbitration. [See KCLR 4.2(a) and Notices on Page 2]. Show Cause hearing will be set if Confirmation is not filed, or if the Confirmation does not have all signatures, or if all answers have not been filed, or judgment on default has not been filed, or Box 2 is checked.	Tue 10/23/2007	*
DEADLINE for Hearing Motions to Change Case Assignment Area. [See KCLR 82(a)]	Tue 11/06/2007	
DEADLINE for Disclosure of Possible Primary Witnesses [See KCLR 26(b)].	Tue 06/27/2008	
DEADLINE for Disclosure of Possible Additional Witnesses [See KCLR 26(b)].	Mon 07/07/2008	
DEADLINE for Jury Demand [See KCLR 38(b)(2)].	Mon 07/21/2008	*
DEADLINE for Setting Motion for a Change in Trial Date [See KCLR 40(e)(2)].	Mon 07/21/2008	*
DEADLINE for Discovery Cutoff [See KCLR 37(g)].	Mon 09/08/2008	
DEADLINE for Engaging in Alternative Dispute Resolution [See KCLR 16(u)].	Mon 09/29/2008	
DEADLINE for Exchange Witness & Exhibit Lists & Documentary Exhibits [See KCLR 16(a)(4)].	Mon 10/06/2008	
DEADLINE to file Joint Confirmation of Trial Readiness [See KCLR 16(a)(2)].	Mon 10/06/2008	*
DEADLINE for Hearing Dispositive Pretrial Motions [See KCLR 56; CR 56].	Mon 10/13/2008	
Joint Statement of Evidence [See KCLR 16(a)(5)].	Mon 10/20/2008	*
Trial Date [See KCLR 40].	Mon 10/27/2008	

III. ORDER

Pursuant to King County Local Rule 4 [KCLR 4], IT IS ORDERED that the parties shall comply with the schedule listed above. Penalties, including but not limited to sanctions set forth in Local Rule 4(g) and Rule 37 of the Superior Court Civil Rules, may be imposed for non-compliance. It is FURTHER ORDERED that the party filing this action must serve this Order Setting Civil Case Schedule and attachment on all other parties.

DATED: 05/15/2007



PRESIDING JUDGE

IV. ORDER ON CIVIL PROCEEDINGS FOR ASSIGNMENT TO JUDGE

READ THIS ORDER PRIOR TO CONTACTING YOUR ASSIGNED JUDGE

This case is assigned to the Superior Court Judge whose name appears in the caption of this Schedule. The assigned Superior Court Judge will preside over and manage this case for all pre-trial matters.

COMPLEX LITIGATION: If you anticipate an unusually complex or lengthy trial, please notify the assigned court as soon as possible.

The following procedures hereafter apply to the processing of this case:

APPLICABLE RULES:

a. Except as specifically modified below, all the provisions of King County Local Rules 4 through-26 shall apply to the processing of civil cases before Superior Court Judges.

CASE SCHEDULE AND REQUIREMENTS:

A. Show Cause Hearing: A Show Cause Hearing will be held before the Chief Civil/Chief RJC judge if the case does not have confirmation of service on all parties, answers to all claims, crossclaims, or counterclaims as well as the confirmation of joinder or statement of arbitrability filed before the deadline in the attached case schedule. All parties will receive an *Order to Show Cause* that will set a specific date and time for the hearing. Parties and/or counsel who are required to attend will be named in the order.

B. Pretrial Order: An order directing completion of a Joint Confirmation of Trial Readiness Report will be mailed to all parties approximately six (6) weeks before trial. **This order will contain deadline dates for the pretrial events listed in King County Local Rule 16:**

- 1) Settlement/Mediation/ADR Requirement;
- 2) Exchange of Exhibit Lists;
- 3) Date for Exhibits to be available for review;
- 4) Deadline for disclosure of witnesses;
- 5) Deadline for filing Joint Statement of Evidence;
- 6) Trial submissions, such as briefs, Joint Statement of Evidence, jury instructions;
- 7) voir dire questions, etc;
- 8) Use of depositions at trial;
- 9) Deadlines for nondispositive motions;
- 10) Deadline to submit exhibits and procedures to be followed with respect to exhibits;
- 11) Witnesses -- identity, number, testimony;

C. Joint Confirmation regarding Trial Readiness Report: No later than twenty one (21) days before the trial date, parties shall complete and file (with a copy to the assigned judge) a joint confirmation report setting forth whether a jury demand has been filed, the expected duration of the trial, whether a settlement conference has been held, and special problems and needs (e.g. interpreters, equipment), etc. If parties wish to request a CR 16 conference, they must contact the assigned court.

Plaintiff/petitioner's counsel is responsible for contacting the other parties regarding said report.

D. Settlement/Mediation/ADR:

1) Forty five (45) days before the Trial Date, counsel for plaintiff shall submit a written settlement demand. Ten (10) days after receiving plaintiff's written demand, counsel for defendant shall respond (with a counteroffer, if appropriate).

2) Twenty eight (28) days before the Trial Date, a settlement/mediation/ADR conference shall have been held. **FAILURE TO COMPLY WITH THIS SETTLEMENT CONFERENCE REQUIREMENT MAY RESULT IN SANCTIONS.**

E. Trial: Trial is scheduled for 9:00 a.m. on the date on the *Schedule* or as soon thereafter as convened by the court. The Friday before trial, the parties should access the King County Superior Court website at www.metrokc.gov/kcsc to confirm trial judge assignment. Information can also be obtained by calling (206) 205-5984.

MOTIONS PROCEDURES:A. Noting of Motions

Dispositive Motions: All Summary Judgment or other motions that dispose of the case in whole or in part will be heard with oral argument before the assigned judge. The moving party must arrange with the courts a date and time for the hearing, consistent with the court rules. King County Local Rule 7 and King County Local Rule 56 govern procedures for all summary judgment or other motions that dispose of the case in whole or in part. The local rules can be found at www.metrokc.gov/kcsc.

Nondispositive Motions: These motions, which include discovery motions, will be ruled on by the assigned judge without oral argument, unless otherwise ordered. All such motions must be noted for a date by which the ruling is requested; this date must likewise conform to the applicable notice requirements. Rather than noting a time of day, the *Note for Motion* should state "Without Oral Argument." King County Local Rule 7 governs these motions, which include discovery motions. The local rules can be found at www.metrokc.gov/kcsc.

Motions in Family Law Cases not involving children: Discovery motions to compel, motions in limine, motions relating to trial dates and motions to vacate judgments/dismissals shall be brought before the assigned judge. All other motions should be noted and heard on the Family Law Motions Calendar. King County Local Rule 7 and King County Family Law Local Rules govern these procedures. The local rules can be found at www.metrokc.gov/kcsc.

Emergency Motions: Emergency motions will be allowed only upon entry of an *Order*

Shortening Time. However, emergency discovery disputes may be addressed by telephone call, and without written motion, if the judge approves.

Filing of Documents All original documents must be filed with the Clerk's Office. *The working copies of all documents in support or opposition must be marked on the upper right corner of the first page with the date of consideration or hearing and the name of the assigned judge.* The assigned judge's working copy must be delivered to his/her courtroom or to the judges' mailroom. Do not file working copies with the Motions Coordinator, except those motions to be heard on the Family Law Motions Calendar, in which case the working copies should be filed with the Family Law Motions Coordinator.

Original Proposed Order: Each of the parties must include in the working copy materials submitted on any motion an original proposed order sustaining his/her side of the argument. Should any party desire a copy of the order as signed and filed by the judge, a preaddressed, stamped envelope shall accompany the proposed order.

Presentation of Orders: All orders, agreed or otherwise, must be presented to the assigned judge. If that judge is absent, contact the assigned court for further instructions. If another judge enters an order on the case, counsel is responsible for providing the assigned judge with a copy.

Proposed orders finalizing settlement and/or dismissal by agreement of all parties shall be presented to the assigned judge or in the Ex Parte Department. Formal proof in Family Law cases must be scheduled before the assigned judge by contacting the bailiff, or formal proof may be entered in the Ex Parte Department. If final orders and/or formal proof are entered in the Ex Parte Department, counsel is responsible for providing the assigned judge with a copy.

C. Form: Memoranda/briefs for matters heard by the assigned judge may not exceed twenty four (24) pages for dispositive motions and twelve (12) pages for nondispositive motions, unless the assigned judge permits over-length memoranda/briefs in advance of filing. Over-length memoranda/briefs and motions supported by such memoranda/briefs may be stricken.

IT IS SO ORDERED. FAILURE TO COMPLY WITH THE PROVISIONS OF THIS ORDER MAY RESULT IN DISMISSAL OR OTHER SANCTIONS. PLAINTIFF/PETITIONER SHALL FORWARD A COPY OF THIS ORDER AS SOON AS PRACTICABLE TO ANY PARTY WHO HAS NOT RECEIVED THIS ORDER.



PRESIDING JUDGE

Ex Parte Department

SUPERIOR COURT OF WASHINGTON FOR KING COUNTY

ZANGO, INC.,

Plaintiff,

v.

PC TOOLS PTY LTD.,

Defendant.

No. 07-2-15844-8 SEA

TEMPORARY RESTRAINING ORDER

[PROPOSED]

This CAUSE came before the Court on May 23, 2007 on Plaintiff Zango's Motion for Temporary Restraining Order.

The Court heard oral argument from Plaintiff's counsel. Defendants were provided with notice of Plaintiff's Motion for Temporary Restraining Order and Defendants did / did not appear at the hearing. The Court considered the following:

1. Plaintiff's Motion for Temporary Restraining Order;
2. Declaration of Steve Fogg;
3. Declaration of Richard Purcell;
4. Declaration of Gregg Berretta; and
5. The other pleadings and filings in this matter.

TEMPORARY RESTRAINING ORDER
[PROPOSED] – 1

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1 Based on the argument of counsel and the evidence presented, the Court makes the following
2 findings of fact and conclusions of law, pursuant to CR 65(d):

3 1. Plaintiff Zango, Inc. ("Zango") is an online media company based in Bellevue,
4 Washington that provides consumers access to a catalog of online videos, games, music, tools
5 and utilities. Zango offers its catalog to consumers free of charge in exchange for an
6 agreement to view advertising, and also offers a premium version of its content that gives
7 consumers access without advertising.
8

9 2. Defendant PC Tools Pty Ltd. ("PC Tools") is in the business of developing and
10 marketing various computer protection and security software program, including a program
11 called "Spyware Doctor." Once Spyware Doctor is installed on a user's computer, it
12 automatically disables Zango's software products without providing any opportunity for
13 Zango customers to consent or intervene. Spyware Doctor also labels Zango software as an
14 "elevated risk" and as "malicious." In addition, Spyware Doctor prevents consumers who do
15 not already have Zango software installed on their computer from downloading Zango
16 applications, without providing any opportunity to consent or intervene.
17

18 3. Zango has suffered significant damage to its customer base, reputation and
19 business model as a result of the actions taken by PC Tools through its manufacture and
20 distribution of Spyware Doctor. This damage is ongoing so long as PC Tools maintains
21 identifiers for Zango's applications within the Spyware Doctor detection database.
22

23 4. Under Washington case law, a party seeking injunctive relief must show: (1)
24 that it has a clear legal or equitable right; (2) that it has a well-grounded fear of immediate
25 invasion of that right; and (3) that the acts complained of are or will result in actual and

TEMPORARY RESTRAINING ORDER
[PROPOSED] 2

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1 substantial injury. *Rabon v. City of Seattle*, 135 Wn.2d 278, 284, 957 P.2d 621 (1988). When
 2 the injunctive relief sought is a temporary restraining order, the plaintiff must also show
 3 irreparable harm. *Spokane County v. AFSCE*, 76 Wn.App. 765, 770, 888 P.2d 735 (1995).

4
 5 5. It is probable that Plaintiff will succeed on the merits. The tort of intentional
 6 interference with contractual relations or business expectancy prohibits one from purposefully
 7 interfering with a valid contractual relationship or business expectancy, where such
 8 interference is done for an improper purpose and results in damage. It is also likely that
 9 Plaintiff will succeed on the remaining claims for trade libel, violation of the Washington
 10 Consumer Protection Act, and unjust enrichment.

11
 12 6. Plaintiff has a well-founded fear of invasion based on Defendant's conduct to
 13 date and its refusal to remedy that conduct.

14
 15 7. Defendants' actions have caused irreparable harm to Plaintiff's customer base,
 16 reputation and goodwill. The invasion of Plaintiff's rights is current and ongoing and will
 17 continue to cause actual and substantial injury to Plaintiff, absent the issuance of an order
 18 enjoining Defendants.

19
 20 8. The irreparable harm suffered by Plaintiff outweighs any potential harm
 21 Defendants may suffer from the issuance of this Order.

22 For the reasons set forth in the above findings of fact and conclusions of law, it is
 23 hereby ORDERED:

24 1. Plaintiff Zango's Motion for Temporary Restraining Order is GRANTED.

25 2. Within _____ hours of the issuance of this Order, Defendant PC Tools shall
 eliminate all references to Zango's products, ClassIDs, code, files, fingerprints, and/or all

TEMPORARY RESTRAINING ORDER
 [PROPOSED] – 3

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1 other distinguishing characteristics from all products, definition files, and scanning databases
2 sold, marketed, distributed or otherwise made available by PC Tools, and provide all existing
3 PC Tools customers, partners, or others utilizing PC Tools' definition files with an updated
4 set of files consistent with the foregoing.

5
6 3. This order is binding upon the parties to this action, their officers, agents,
7 servants, employees, and attorneys, and upon those persons in active concert or participation
8 with them who receive actual notice of the order by personal service or otherwise.

9 4. This order is effective immediately upon issuance provided Zango gives
10 security in the amount of \$_____ for the payment of costs and damages which may be
11 incurred by any party to be wrongfully restrained by this order, as provided by CR 65(c).
12 Said bond must be posted by 4:30 p.m. on May 24, 2007, or this injunction is void.

13
14 5. This temporary restraining order shall expire at midnight of the 14th day after
15 issuance unless extended or vacated by court order or stipulation of the parties.

16 DATE AND HOUR OF ISSUANCE: May 23, 2007 at ____ a.m/p.m.

17
18 _____
19 The Honorable
20 King County Superior Court Judge

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TEMPORARY RESTRAINING ORDER
[PROPOSED] -- 4

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1 Presented by:

2 CORR CRONIN MICHELSON
3 BAUMGARDNER & PREECE LLP

4 By: _____

5 Kelly P. Corr, WSBA #00555
6 Steven W. Fogg, WSBA #23528
7 Attorneys for Plaintiff
8 Zango, Inc.
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TEMPORARY RESTRAINING ORDER
[PROPOSED] 5

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1 THE HONORABLE CHERYL CAREY

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6
7 SUPERIOR COURT OF WASHINGTON FOR KING COUNTY

8 ZANGO, INC.,

9 Plaintiff,

No. 07-2-15844-8 SEA

DECLARATION OF GREGG BERRETTA

10 v.

11 PC TOOLS PTY LTD.,

12 Defendant.

13
14 Gregg Berretta states and declares as follows:

15 1. I am the Director of Industry Affairs for plaintiff Zango, Inc. ("Zango").

16 I have personal knowledge of the matters stated herein and I am competent to testify to these
17 matters.

18 2. Zango is an online media company based in Bellevue, Washington that
19 provides consumers free access to a large catalog of online videos, games, music, tools and
20 utilities. Zango offers four downloadable software applications branded as follows: "Zango,"
21 "Seekmo," "Hotbar," and "Spam Blocker Utility." These essentially identical Zango products
22 are offered to customers free of charge and are sponsored by advertising that customers agree
23 to view as a condition of using the products. Zango also offers a premium version of its
24 Hotbar- and Spam Blocker Utility-branded software that gives consumers access to Zango's
25 content catalog without having to agree to see advertising.

DECLARATION OF GREGG BERRETTA - 1

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1 3. Zango's proprietary software displays advertisements (to all non-premium
2 users) while Zango customers are browsing or searching the Internet online. Zango's
3 software is designed to locate products and services that are of interest to Zango customers. It
4 does this by recognizing keywords from customers' Internet browser and displaying relevant
5 advertisers' websites for matching products and services. Zango's software never collects the
6 personal identifying information of its users.

7 4. On or about March 29, 2007, Google, Inc. revised its "Google Pack" software
8 package to include a product from PC Tools called "Spyware Doctor Starter Edition"
9 (hereinafter, "Starter Edition"). The default grouping of software in the "Google Pack"
10 includes Starter Edition, which means that, given Google's massive Internet presence
11 (Comscore, a web metrics measuring company, calls Google's home page – the well-known
12 www.google.com – the most popular and most visited site on the Internet), millions of
13 "Google Packs" including this Starter Edition component have been distributed since March
14 29 and installed around the world by consumers.

15 5. Prior to approximately March 29, 2007, Google had included within its
16 "Google Pack" a product from spyware protection company Lavasoft AB called "Ad-Aware
17 SE" (hereinafter, "Ad-Aware"). In communications with Zango, Lavasoft informed Zango
18 that the only action Ad-Aware took with respect to Zango products was to notify users upon
19 installation that Zango products will make a change to the Windows registry of the user's PC.
20 (The Windows registry is a database which stores settings and options for the operating
21 system for Microsoft Windows; it contains information and settings for all the hardware,
22 operating system software, most non-operating system software, users, preferences of the PC,
23 etc.) Ad-Aware provided users with an opportunity to choose whether to take any action with
24 respect to Zango products or whether to allow Zango products to remain installed on the
25 user's computer. This is the same warning that Ad-Aware provided to users upon installation

DECLARATION OF GREGG BERRETTA - 2

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1 of all non-malicious software, including such popular downloadable applications as the
2 Google or Yahoo! toolbars.

3 6. On or about March 29, 2007, Starter Edition replaced Ad-Aware in the
4 Google Pack.

5 7. On May 11, 2007, Zango's Director of Product Development, Val Sanford,
6 alerted me to a potential problem involving Starter Edition and its effect on Zango's products.

7 8. Internal testing, performed by myself or at my direction showed that Starter
8 Edition Version 5.0.0.169 (Database: 5.07280, as included with the "Google Pack") disables
9 Zango installations to the point that existing, consensually installed Zango's software already
10 resident on the consumer's computer no longer functions. Testing showed that Starter Edition
11 software damages Zango applications immediately upon installation, without giving any
12 specific notice whatsoever to Zango customers or providing any opportunity for Zango
13 customers to consent or intervene.

14 9. Testing also showed that, after a brief period of time following the initial
15 disabling of Zango's software, Starter Edition repeatedly delivers a specific type of message
16 format (sometimes called a "toaster") on the user's screen stating "Malicious Action Blocked"
17 and identifying Zango's software specifically as an "Elevated Risk." In previous
18 communications between Zango and PC Tools, Jim Meem, the director of PC Tools' Malware
19 Research Centre, admitted in an e-mail sent to Zango that "[w]e [PC Tools] have concluded
20 that Seekmo [one of the four essentially identical Zango software brands] is not malicious."
21 Attached hereto as Exhibit A is a true and correct copy of Mr. Meem's email of March 28,
22 2007.

23 10. Testing also revealed that while the Starter Edition software prevents the
24 display of advertisements from Zango on behalf of Zango's advertising partners (which is the
25

DECLARATION OF GREGG BERRETTA - 3

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1 primary source of Zango revenue), some existing Zango customers nonetheless are still able
2 to access the content in Zango's catalog (i.e., the movies, games, screensavers, and the like).

3 11. Moreover, testing showed that consumers who have Starter Edition already
4 installed on their computers are unable to install Zango's software, thereby eliminating Starter
5 Edition users as potential customers of Zango's software. Starter Edition provides no
6 opportunity for users who wish to download and install Zango's software to ignore, allow, or
7 otherwise stop Starter Edition from blocking the installation of that software.

8 12. Damage to Zango's products is not limited to actions taken by the Starter
9 Edition version of Spyware Doctor as included in the "Google Pack" (which, according to
10 licensed Internet traffic-estimating software received 1.2 million unique visits in the last 30
11 days). In addition to its availability in "Google Pack," Spyware Doctor is available in other
12 editions directly from PC Tools. The same traffic-estimating software indicates 1.6 million
13 unique visits to PC Tools' web site in the last 30 days.

14 13. Attached hereto as Exhibit B are true and correct copies of communications via
15 email received by Zango technical support services from Zango customers reporting that
16 Spyware Doctor disabled Zango products and/or that customers were prevented from
17 installing Zango products by Spyware Doctor.

18 14. Since May 11, representatives of Zango, including myself, have repeatedly
19 contacted senior PC Tools' employees, including its CEO, General Counsel, and the Head of
20 its Malware Research Centre, to request the removal of Zango products from the Starter
21 Edition detection database. My request to PC Tools -- to remove all references to Zango from
22 their detection database -- was the least onerous request that could be made to a scanning
23 application vendor. It is common knowledge in the industry that in order to reduce the time
24 period during which users might be unprotected, detection databases can be and typically are
25 updated hourly. Urgent updates are released immediately after a "signature" has been added

DECLARATION OF GREGG BERRETTA - 4

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1 to the detection database. The average update size (around 30KB) is not burdensome to
2 consumers. My request to PC Tools was to actually reduce rather than increase the size of the
3 database. Changing the database is something that PC Tools does many times a day during
4 the normal course of business. Changes in the database would have no negative impact on PC
5 Tools' existing customer base (or on future customers).

6 15. PC Tools publicly acknowledges the fact that their database detections are
7 handled automatically without intervention by the user. From PC Tools website
8 (<http://www.pctools.com/spyware-doctor/features/>) (accessed on May 16, 2007): "Smart
9 Update™ is now fully automated and runs in the background without user intervention,
10 ensuring users the most current tools, scanners and signatures to maximize protection.
11 Furthermore, database updates will be incremental (during weekdays), meaning only new and
12 modified definitions will be downloaded (and the complete definition file only once a week),
13 thus allowing for faster and more frequent updates. Spyware Doctor™ V5.0 will also continue
14 to deliver its industry leading daily updates."

15 16. To date, PC Tools has not complied with the request to remove Zango's
16 products from the Starter Edition detection database.

17 17. Zango has suffered significant damage to its reputation, customer base and
18 business model as a result of the actions of the PC Tools software described above. That
19 damage includes: disabling Zango's software purchased by customers who have elected to
20 install a premium version of that software (retail price \$29.99) in order to access content from
21 Zango's extensive catalog without having to see ads; precluding any future such customers
22 from being able to install that premium software; destroying Zango's ability to recoup,
23 through both paid and ad-supported software versions, the cost of acquiring and licensing for
24 distribution the extensive content in Zango's content catalog (estimated value: several million
25 dollars); chilling Zango's ability to partner with new content providers and distribution

DECLARATION OF GREGG BERRETTE - 5

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1 channels, thereby hindering Zango's expansion plans and devaluing its investment in offices,
2 operations, infrastructure, and employees in Washington state, North America, and other parts
3 of the world; and in other ways not yet realized or fully understood.

4 I declare under penalty of perjury under the laws of the State of Washington that the
5 foregoing is true and correct.

6 DATED this 17th day of May, 2007 at Bellevue, Washington.

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Gregg Berretta

DECLARATION OF GREGG BERRETTA - 6

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07-CV-00797-EXH-A

EXHIBIT A

-----Original Message-----

From: Jim Meem [mailto:jmeem@pctools.com]

Sent: Wed 3/28/2007 11:48 PM

To: Gregg Berretta; Darren Sommers; Simon Clausen; Peter Mackow

Cc: Kevin Osborn

Subject: RE: PC-Tools - Zango - Seekmo - Hotbar

Hi Gregg,

We have concluded Seekmo is not malicious. We're still weighing up how seriously to take the full screen replacement situation, but its

PC-Tools 5 14 07r.txt

certainly not as bad as things we saw early in 2005. We have removed the block to your URL www.seekmo.com <<http://www.seekmo.com/>> from the database in test right now which will go live within an hour, so as you read this those SD customers who run Smart Update will not get a block on your website. We will change the risk for the seekmo application but that is more complicated because currently we detect Seekmo as (1) Seekmo components (2) Zango components which obviously were reused in Seekmo (3) 180 Common Components and (4) Hotbar components, mostly keys. It may be we will have to review Zango and Hotbar before we can sort this out correctly.

Jim

EXHIBIT B

From: vipsupport [vipsupport@hotbar.com]
Sent: Wednesday, May 16, 2007 12:21 AM
To: Rachel Shafir
Subject: FW: RE: Re:Unable to load Hotbar [941980:457277]

-----Original Message-----

From: "VIP Support" <vipsupport@hotbar-inc.com>
Sent: 5/9/2007 11:59 AM
To: '
Subject: FW: RE: Re:Unable to load Hotbar [941980:455493]

Dear Peter,

Thank you for your reply and information.

Unfortunately there is a problem of incompatibility between Hotbar and Spyware Doctor. Sometimes, even though Hotbar is added to the "permitted files" list, and even if you remove Spyware Doctor from your computer, Hotbar may not function properly. We have contacted Spyware Doctor and informed them about the problem, and they are working to fix it, but so far the issue has not been solved.

We therefore suggest to cancel your membership to Hotbar.
We apologize for any inconvenience. Please let us know how you wish to proceed.

Have a great day,

Keren C.
VIPsupport@hotbar.com
VIP Customer Service
Hotbar.com, Inc.

-----Original Message-----

From:
Received: 5/7/2007 5:35 PM
To: vipsupport@hotbar.com
Subject: RE: Re:Unable to load Hotbar

Dear Support,

My order no. is Swreg Order Number: U22439808
I've opted for the paid version yr ad claim there will be no
pop up, spyware and other malicious adwares and such.

Hver my Spyware doctor is almost any attempt for me to install hotbar due to the presence of large amount of

5/17/2007

the adware,malware and such.

How do I load yr product.
I want to use Hotbar.

Rgds
Peter

5/17/2007

From: vipsupport [vipsupport@hotbar.com]
Sent: Wednesday, May 16, 2007 12:20 AM
To: Rachel Shafir
Subject: FW: Re: Keep losing my Hotbar icons [930492:457276]

-----Original Message-----

From:
Received: 4/22/2007 6:17 PM
To: "VIP Support" <vipsupport@hotbar-inc.com>
Subject: FW: Re: Keep losing my Hotbar icons [930492:451434]

Keren C.

Thanks for the comeback on my problem... However, it seems Hotbar is having problems with many of the Antivirus programs... I recently had AVAST and had the same problem... That...is why I switched to AVG.. didn't have any problems with your Hotbar... until the Spyware Doctor problem..

I really like the capabilities of your Hotbar and would like to download it again.. However, every time I got to WWW.hotbar.com , up comes your Home page.. and it only tells all about Hotbar.. and there is no place on the page to move to a download page..

Please advise... In the meantime, I will look for the "allow" template in Spyware Doctor...

Robert...

----- Original Message -----

From: VIP Support
To:
Sent: Sunday, April 22, 2007 3:28 AM
Subject: RE: Keep losing my Hotbar icons [930492:451434]

Dear Robert,

Thank you for your mail.

Unfortunately there is a problem of incompatibility between Hotbar and Spyware Doctor. Sometimes, even though Hotbar is added to the "permitted files" list, and even if you remove Spyware Doctor from your computer, Hotbar may not function properly. We have contacted Spyware Doctor and informed them about the problem, and they are working to fix it, but so far the issue has not been solved.

We therefore suggest to cancel your membership to Hotbar.
Please let us know how you wish to proceed.

5/17/2007

Have a great day.

Keren C.
VIPsupport@hotbar.com
VIP Customer Service
Hotbar.com, Inc.

-----Original Message-----

From:
Received: 4/20/2007 5:19 AM
To: vipsupport@hotbar.com
Subject: RE: Keep losing my Hotbar icons

Sir...

I have been having a lot of trouble keeping my Hotbar Premium Icons in my e-mail...

I recently uninstalled my AVAST antivirus which was knocking out my Hotbar..

I reinstalled AVG and was having NO problems..

Then tonight I ran my Spyware Doctor program.. and looked up ... and my Hotbar was gone again...

Sure be nice to keep it in my e-mails...

Programs I am running periodically are: Register Mechanic.... Spyward Doctor... and of course my AVG program runs in the background...

Need some help.. or I am going to give up on the Hotbar icons...

Looking forward to your assistance....

Robert

No virus found in this incoming message.

Checked by AVG Free Edition.

Version: 7.5.463 / Virus Database: 269.5.7/771 - Release Date: 4/21/2007 11:56 AM

5/17/2007

The Honorable Cheryl Carey

SUPERIOR COURT OF WASHINGTON FOR KING COUNTY

ZANGO, INC.,

Plaintiff,

v.

PC TOOLS PTY LTD.,

Defendant.

No. 07-2-15844-8 SEA

**AFFIDAVIT OF STEVEN W. FOGG RE:
FILING FACSIMILE SIGNATURE
(DECLARATION OF GREGG
BERRETTA)**

STATE OF WASHINGTON)

) ss.

COUNTY OF KING)

Steven W. Fogg, being duly sworn, states:

1. I am one of the attorneys for Plaintiff in this matter. I have personal knowledge of the facts stated below, and am competent to testify regarding the matters discussed herein.

2. Pursuant to GR 17(2), there is a facsimile signature on the accompanying Declaration of Gregg Berretta. A signed original will be filed as soon as possible. I have

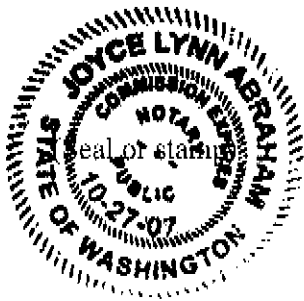
AFFIDAVIT OF STEVEN W. FOGG RE: FILING FACSIMILE
SIGNATURE (DECLARATION OF GREGG BERRETTA) - 1

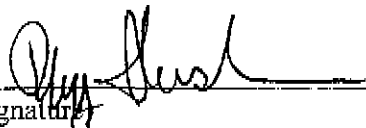
CORR CRONIN MICHELSON
BAUMGARDNER & PREECE LLP
1001 Fourth Avenue, Suite 3900
Seattle, Washington 98154-1051
Tel (206) 625-8600
Fax (206) 625-0900

1 examined the document, determined that it consists of eight (8) pages, including these two (2)
2 affidavit pages, and six (6) pages of exhibits and that it is complete and legible.

3
4 
5 Steven W. Fogg

6 Signed and sworn to before me on May 17, 2007.




(Signature)

Joyce Lynn Abraham

(Name legibly printed or stamped)

Notary Public in and for the State of
Washington, residing at Seattle. My
appointment expires 10-27-07.

AFFIDAVIT OF STEVEN W. FOGG RE: FILING FACSIMILE
SIGNATURE (DECLARATION OF GREGG BERRETTA) - 2

CORR CRONIN MICHELSON
BAUMGARDNER & PREECE, LLP
1001 Fourth Avenue, Suite 3900
Seattle, Washington 98154-1051
Tel (206) 625-8600
Fax (206) 625-0900

The Honorable Cheryl Carey

SUPERIOR COURT OF WASHINGTON FOR KING COUNTY

ZANGO, INC.,

Plaintiff,

v.

PC TOOLS PTY LTD.,

Defendant.

No. 07-2-15844-8 SEA

**DECLARATION OF
RICHARD PURCELL**

Richard Purcell declares and states as follows:

1. I am Richard Purcell. I have personal knowledge of the matters stated herein and I am competent to testify to these matters.

2. I am not an employee of plaintiff Zango, Inc. ("Zango").

3. I am the CEO of Corporate Privacy Group ("CPG"), which is a consulting group dedicated to helping companies and government agencies protect the privacy of their customers, particularly in the context of online and computer information. In my capacity as CEO of CPG, I have advised Fortune 500 companies and government agencies about how to respect and protect the personal information of consumers and other individuals. I have attached a true and correct copy of a short biographical sketch as **Exhibit A** to this declaration.

4. I am considered an expert in the field of consumer privacy. I was the first person appointed to be Chief Privacy Officer for Microsoft Corporation. In that capacity, I

DECLARATION OF RICHARD PURCELL - 1

CORR CRONIN MICHELSON
HAUMGARDNER & PREECE LLP
1001 Fourth Avenue, Suite 3900
Seattle, Washington 98154-1051
Tel (206) 625-8600
Fax (206) 625-0900

1 developed, implemented and oversaw one of the world's largest and most advanced privacy
2 programs. Since leaving Microsoft in 2003, I have continued to help other companies and
3 government agencies develop privacy programs. I hold many significant privacy
4 appointments, including a position as a member of the Data Privacy and Integrity Advisory
5 Committee to the Department of Homeland Security.

6 5. Zango hired me (and CPG) to conduct an independent and objective audit of its
7 privacy practices. Under my direction, CPG conducted an exhaustive audit of Zango's
8 privacy practices, including thorough testing of Zango downloads in the "real world"
9 environment.

10 6. At the conclusion of our testing and review, CPG issued a report entitled
11 "Zango Compliance Review" ("CPG Report"). A true and correct copy of the CPG Report
12 (which was released on May 7, 2007) is attached as **Exhibit B** to this declaration.

13 7. As the CPG Report indicates, we found that Zango is fully compliant with all
14 reasonable and recommended privacy requirements. The three hallmarks of an acceptable
15 privacy program are a) user notification of the program or application's existence; b) user
16 consent to the download or installation of the program or application and c) user control of the
17 program or application. We concluded that Zango satisfies each of these criteria.

18 8. More specifically, we concluded that a) neither Zango nor its affiliates permit
19 installation of its programs without explicit user consent; b) users who download Zango
20 products are provided explicit notice about the program's capabilities and features and c)
21 users who download Zango products are provided easy-to-use and effective instructions and
22 methods for removing Zango products from their computers.

23 9. We were also satisfied that Zango's representation that all users who installed
24 Zango applications or products after January 1, 2006 did so consensually is accurate.
25

DECLARATION OF RICHARD PURCELL - 2

CORR CRONIN MICHELSON
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Seattle, Washington 98154-1051
Tel (206) 625-8600
Fax (206) 625-0900

1 10. As our report makes clear, we also verified Zango's representation that it
2 communicates only with consumers who have installed Zango applications after January 1,
3 2006, and does not communicate with consumers who may have installed Zango products
4 prior to January 1, 2006.

5 11. Our investigation also confirmed that Zango does not collect personally
6 identifying information from its customers.

7 12. I am aware that a company named PC Tools distributes a scanning application
8 named Spyware Doctor. I am further aware that Spyware Doctor informs computer users that
9 Zango products are "malware" or an "infection" that is engaged in a "Malicious Action" that
10 represents an "Elevated Risk."

11 13. In my expert opinion, there is absolutely no basis for these characterizations.
12 Zango products are not infections, viruses, malware or spyware. Zango products also do not
13 present an elevated security risk. My investigation confirmed that Zango products are benign
14 from a privacy or security standpoint.

15 14. I am also aware that Spyware Doctor deletes and destroys Zango products
16 without providing the user any explicit notice that it is doing so. I am further aware that once
17 Spyware Doctor deletes Zango's products from the user's computer, Spyware Doctor fails to
18 provide the user with any instructions about how to restore Zango's products to the user's
19 computer.

20 15. In my expert opinion, the practices described in paragraph 13 are unacceptable.
21 Indeed (and somewhat ironically), PC Tools' practices are consistent with the very labels –
22 malware and spyware – Spyware Doctor erroneously applies to Zango's products.

23 I declare under penalty of perjury under the laws of the State of Washington that the
24 foregoing is true and correct.
25

DECLARATION OF RICHARD PURCELL 3

CORR CRONIN MICHELSON
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Seattle, Washington 98154-1051
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Fax (206) 625-0900

MAY 17, 2007 02:34P CORPORATE PRIVACY GROUP 13603790762

page 5

1 DATED this 17 day of May, 2007 at Norland Washington.

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3 Richard Purcell
4 Richard Purcell
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DECLARATION OF RICHARD PURCELL - 4

CORR CHRONIN MITCHELSON
BAUMGARDNER & FREE LLP
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Seattle, Washington 98154-1051
Tel (206) 625-8600
Fax (206) 625-0900

542 00002 hel71303

EXHIBIT A

**Richard Purcell, CEO
Corporate Privacy Group**



Richard Purcell is a leading voice in addressing consumer privacy and data protection challenges, domestically and internationally.

In 2003, Mr. Purcell formed Corporate Privacy Group, an independent consulting firm focused on establishing sustainable, affordable privacy programs. Mr. Purcell advises Fortune 100 corporations and government agencies about achieving the twin goals of respecting and protecting personal information. Through seminars, lectures and writings, he promotes leading practices for consumer data protection and security.

In addition to CPG's program reviews and advice, their Web-based education curriculum, Privacy Directions™, has become a landmark offering. Designed to support corporations institutionalize privacy awareness, practices, and compliance throughout their employee base, Privacy Directions™ is widely deployed in the United States.

As Microsoft's original privacy officer, Mr. Purcell designed, developed, implemented and oversaw one of the world's largest and most advanced privacy programs, spanning software development, web deployment, infrastructure management, workforce management, and consumer data handling practices. His corporate office developed and monitored a distributed team of privacy managers throughout the enterprise, including global subsidiaries.

Mr. Purcell holds several significant privacy appointments. He was Chairman of TRUSTe for 2005-2006, currently sits on the Privacy Certification Advisory Board of the Int'l Association of Privacy Professionals, is a member of the Data Privacy and Integrity Advisory Committee for the Dept. of Homeland Security and a Fellow at the Ponemon Institute.

#####

For more information, contact Paula Purcell, Corporate Privacy Group, at 360.379.0762 or <mailto:info@corppriv.com>

<http://www.corporateprivacygroup.com>



07-CV-00797-EXH-B

EXHIBIT B

Corporate **PRIVACY** Group

A division of Three Forts, LLC

ZANGO COMPLIANCE REVIEW

PREPARED BY: CORPORATE PRIVACY GROUP

AUTHOR: RICHARD PURCELL

UPDATED: 07 MAY 2007

©CORPORATE PRIVACY GROUP

UPDATED: 07 MAY 2007

ZANGO COMPLIANCE REVIEW**FTC ORDER COMPLIANCE**

COMPLIANCE REVIEW SCOPE

On 03 November 2006, Zango and the Federal Trade Commission settled charges related to Zango's software distribution practices. The order went into effect, after a public comment period and a Commission vote, on 07 March 2007. The agreement includes fifteen (15) sections of requirements. Zango hired Corporate Privacy Group (CPG) to oversee their compliance with the order; this report provides a review of that compliance effort to date.

The scope of the review and this report includes a sub-set of the agreement's requirements. The report covers Zango's compliance in several of the agreement's sections, including:

- Section I -- no use of legacy programs to display advertising or communicate with a user's computer
- Section II -- no use of security vulnerabilities to download or install software code, programs or content
- Section III -- no installation of any software program or application without express consent
- Section IV -- deployment and disclosure of a working customer complaint channel, linkage of complaints to correct software cause and prompt response to all complaints
- Section V -- ensure that affiliates obtain express consent prior to any Zango software program or application, including identifying accountable persons in affiliate organizations, informing affiliates of program requirements, tracking all down-stream affiliate relationships, managing working complaint channels, promptly responding to complaints, and terminating those in breach of requirements
- Section VI -- label all advertising served by program or applications to identify the source program spawning the advertising and the customer complaint channel, including links to instructions for program uninstall
- Section VII -- make application removal procedures easy to find and use; make the procedure itself effective in removing the program without changing user computer settings or transferring personal information

The other sections of the agreement deal with additional requirements, including record keeping, fines, responsiveness, disclosure, change notification, and duration of the requirements. This report does not include these sections.

SUMMARY

Our review concludes that Zango complies with the requirements detailed in the sections of the agreement noted above.

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07 MAY 2007

We note that Zango currently deploys two versions of their User Consent Interface (UCI) that are materially the same, though with slight visual differences. Both forms have identical text and the use of the two forms has no material effect on our conclusion regarding compliance with the terms of the agreement.

NOTICE & DISCLOSURE

A primary purpose of the FTC agreement is to establish clear and conspicuous notice to consumers about the consequences of installing software applications onto their computers. Although no specific section details this requirement, it is included in definition #'s five (5) (clearly and prominently) and seven (7) (express consent). Zango has developed, implemented and deployed user notification for all of its software downloads that is unavoidable, explains in plain language that the application serves advertising, how it is served and how often, and how to remove the program. The notices also provide links to more information about the applications, Zango's privacy policy and frequently asked questions. The notice also presents the End User License Agreement in part, with scrolling capability to display more and links to view or print the entire EULA.

Zango must also cease all communications with consumers who have applications installed prior to January 2006. Zango has ceased all such communications.

FINDING

After thorough testing of the Zango.com site, during which we went through hundreds (out of thousands) of downloads, we found all instances of downloads, whether games, videos, utilities or screensavers to show one of two versions of the same disclosure screen.

We also tested several Zango partner sites, again examining the user experience to determine compliance with the "clear(ly) and prominent(ly)" disclosure requirements. We tested a number of partner sites, including:

- www.cheatgenius.co.uk
- www.100.net
- www.joblo.com
- www.newgrounds.com

We find that Zango complies with the Notice requirements required by the definition and under Section III of the agreement.

In addition, we have reviewed legacy installations of Zango software and found that Zango servers no longer communicate with or serve advertising to applications installed prior to January 2006. Therefore, we find that Zango is compliant with Section I of the agreement.

ADVERTISING NOTICE

In addition to disclosures prior to downloading and installing the Zango client software, the agreement requires clear labeling of all advertising served by the application, disclosing the application promoting the advertising and identifying the publisher. To this end, Zango clearly labels advertisements to show that the Zango application is responsible for the ad; additionally, a

UPDATED: 07 MAY 2007

the label displays a link that takes the user to the Zango Web site for more information, frequently asked questions, and instructions for removing the application.

In our testing, we found that, in rare cases, user intervention might remove ad labels from displayed advertising. This is a known anomaly requiring an ad that renders slowly and quick action by the user.

When serving advertising, Zango servers first post a browser window and frame to the user's computer. The advertiser sequentially and immediately serves the advertising content. In the vast majority of cases, the frame, ad label and advertising content appear to render simultaneously. However, when the ad content renders slowly, the browser window displays the Zango ad label framing a blank space. During the brief time that the window is blank, if the user clicks on the white space or changes the boundaries of the browser window, the action may cause the removal of the ad label. Finally, the latent advertising content may subsequently display in a framed window with no ad label. This is a known condition caused by Zango's appropriate response to user interaction with advertising windows.

The instances of user interaction with latent advertising displays are very rare; we found it difficult, though occasionally possible, to replicate.

FINDING

Despite the ability of users to remove ad labels by intervening with slow-rendering ads, we find Zango complies with Section VI of the agreement. We base our conclusion on the fact that Zango delivered ad labels as a component of the browser window for advertising content in all of our test instances. Though the label may be removed due to user intervention with the browser window, we note that this condition is rare and requires several factors to coincide, including slow-rendering ad content combined with quick action by the user.

EXPRESS CONSENT

Related to the requirement for Notice, the FTC agreement requires that Zango receive explicit (or express) consent from consumers prior to downloading and/or installing their software on the users' machines. Through our testing of the Zango.com site and downloads, we found a consistent and ubiquitous deployment of user consent mechanisms that required an explicit action by individuals prior to any download or installation routines. The screens Zango displays to consumers are unmistakably designed to gain express consent from users.

FINDING

Our tests of the Zango downloads showed that they are compliant with Section III of the agreement.

SECURITY EXPLOITS

The agreement makes clear that Zango cannot utilize exploits of known, unknown, or newly discovered vulnerabilities in software code to install their software. We have never received information accusing Zango of directly utilizing these exploits. There have been charges that unscrupulous affiliates may have bypassed computer security barriers to install Zango software silently.

CONFIDENTIAL

07 MAY 2007

We have interviewed the security staff at Zango, along with many of the technical staff, to investigate their responsiveness to identifying security exploits and correcting any deficiencies in their code base to prevent hacks, work-arounds, and other non-compliant actions.

FINDING

We find that Zango has reasonable protections for preventing the use of security vulnerabilities in aiding their installation. Zango deploys security resources to detect and mitigate security vulnerabilities in their code base, infrastructure and Web environment. Combined with the robust user Notice and Consent provisions noted above, we find that Zango is compliant with the requirements of Section II of the agreement.

CUSTOMER COMPLAINT CHANNEL

By definition, *spyware loads silently and provides no remedy or help to the user to understand the applications function or to remove it from the computer.* Adware, often lumped into the same category, has also been a platform for neglecting the consumers concern for control over their personal computers. Zango has had a working customer inquiry and complaint channel for some time, striving to accommodate the many complaints users have about software appearing on their machines unbidden and resistant to efforts at removal.

Zango users, having installed their application under informed consent, have many opportunities to find information about the software, to file complaints, and to seek other remedies. Prior to download and/or installation, the user is able to link to information about the applications, including how they work and options for submitting questions and receiving answers.

Once installed, the Zango applications contain links from the user's computer to Zango customer support. From the user's 'tool tray', located at the bottom right of the screen, the Zango logo links provides links to:

- **Go to Library** – takes user to content library of games, video's, screensavers and utilities
- **Customer Support** – takes user directly to Web page with answers and feedback, including links to contact Zango with inquiries and/or complaints
- **License Agreement** – takes user to a locally-housed copy of the End User License Agreement (EULA) with a print function, which also contains contact links and information for customer inquiries and complaints
- **About Zango** – launches a locally-controlled window with information about Zango and a link to the Zango.com Web site

The Zango toolbar provides links to the customer inquiry and complaint mechanisms. Finally, advertisements served by the Zango program display appropriate labels (see above) that contain a link to the Customer Support Web page.

FINDING

Zango provides nearly unavoidable access to its consumer inquiry and complaint channel, supporting e-mail inquiries and both telephone and e-mail responses. We find that Zango's implementation of a consumer complaint channel satisfies the requirements of Section IV of the agreement.

UPDATED: 07 MAY 2007

CONSUMER CONTROL

The FTC has long held that consumers should be the final authorities over what software runs on the personal computers that they purchase and manage. To that end, Section VII of the agreement requires that Zango provide easy-to-use and effective instructions and methods for removing its software from users' computers.

FINDING

Zango promotes the removal of its software using the standard MS Windows utility called Add/Remove Programs. Zango fully informs users of the removal process with instructions posted in many places, including within the software applications and on the Zango Web site.

We have thoroughly tested the removal of the Zango Search Assistant and the Zango Toolbar from test machines and have found the complete and irrevocable removal of the program code in each instance. Thus, we find Zango compliant with the agreement's requirements in Section VII.

AFFILIATE CONTROLS

The agreement specifies a range of requirements, consistent with the requirements we reviewed here, that Zango must meet when engaging affiliates in the distribution of their software. Because Zango has terminated affiliate relationships, these requirements require no review at this time.

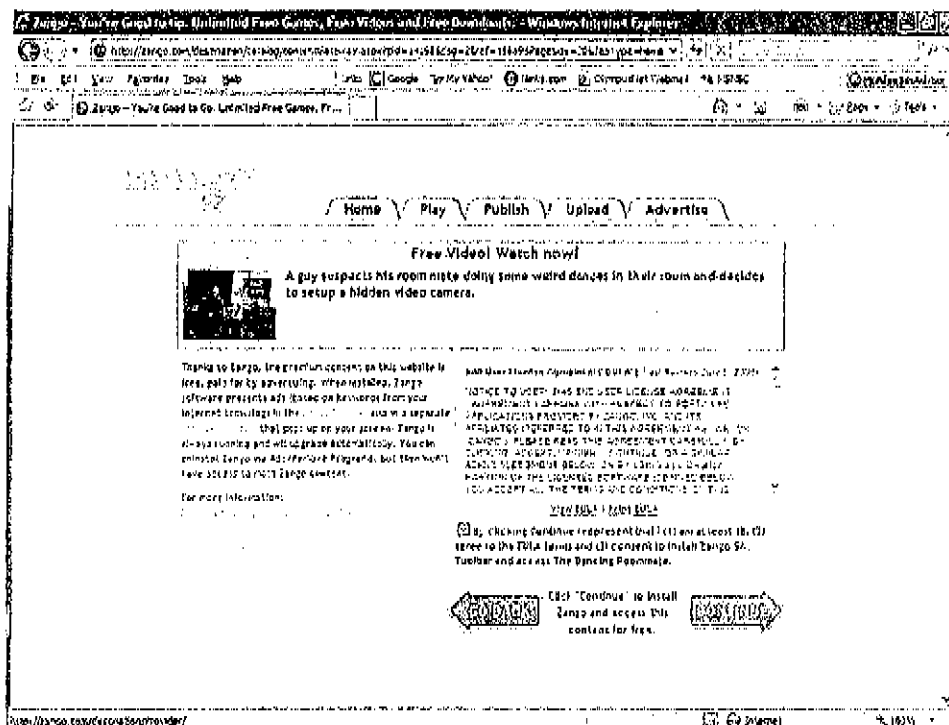
CONFIDENTIAL

07 MAY 2007

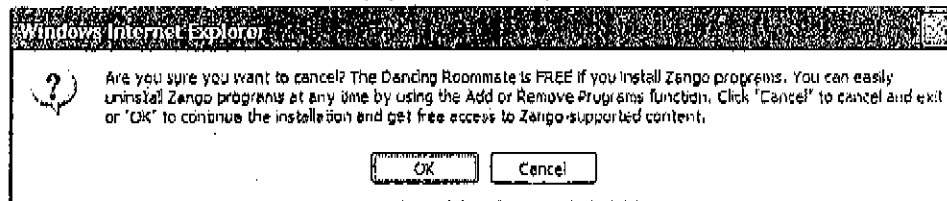
APPENDIX

ALL SCREEN SHOTS CAPTURED IN MAY 2007

User Consent Interface Screen A at www.zango.com



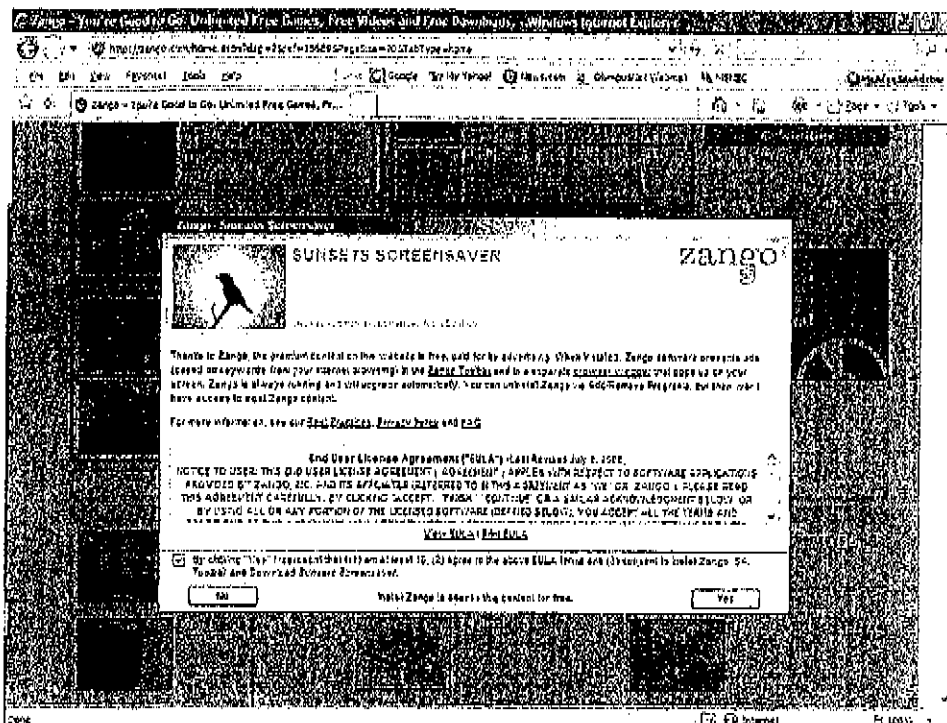
User clicks "Go Back" button, which pops another dialogue



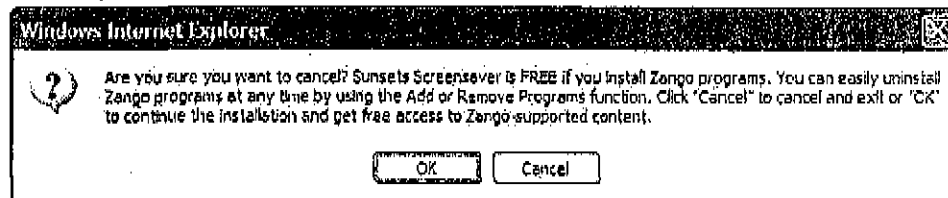
User clicks "Cancel" button and returns to Zango Content Library.

UPDATED: 07 MAY 2007

User Consent Interface Screen B at www.zango.com

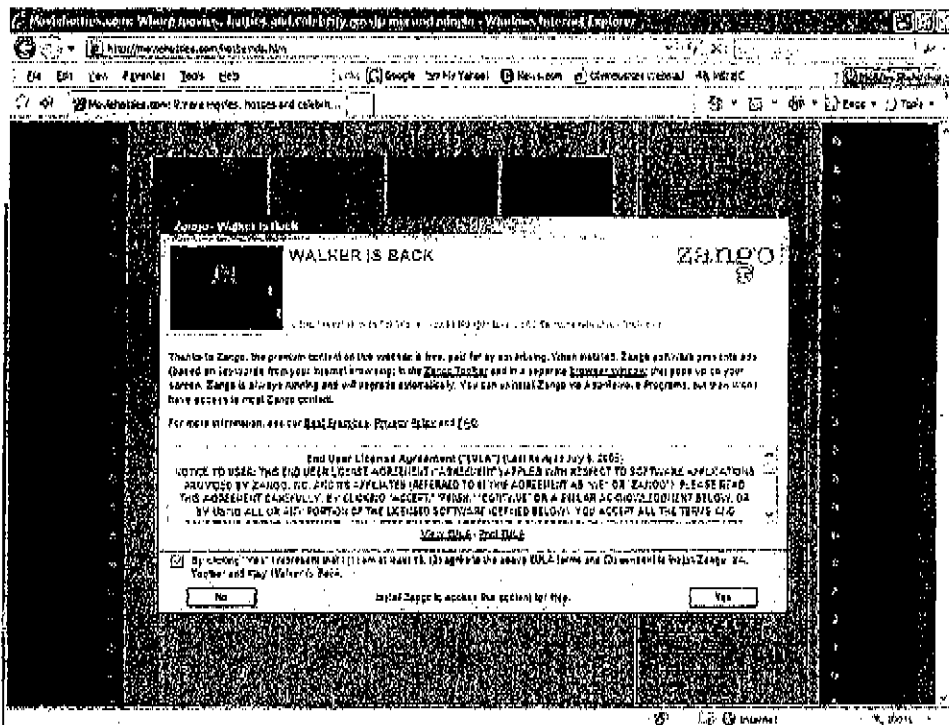


Same sequence as noted in Screen A above, when user clicks 'No' button:

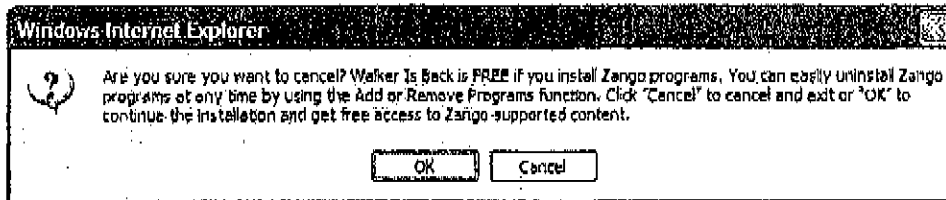


07 MAY 2002

User Consent Interface Screen at Partner site at www.joblo.com/hottievids.html

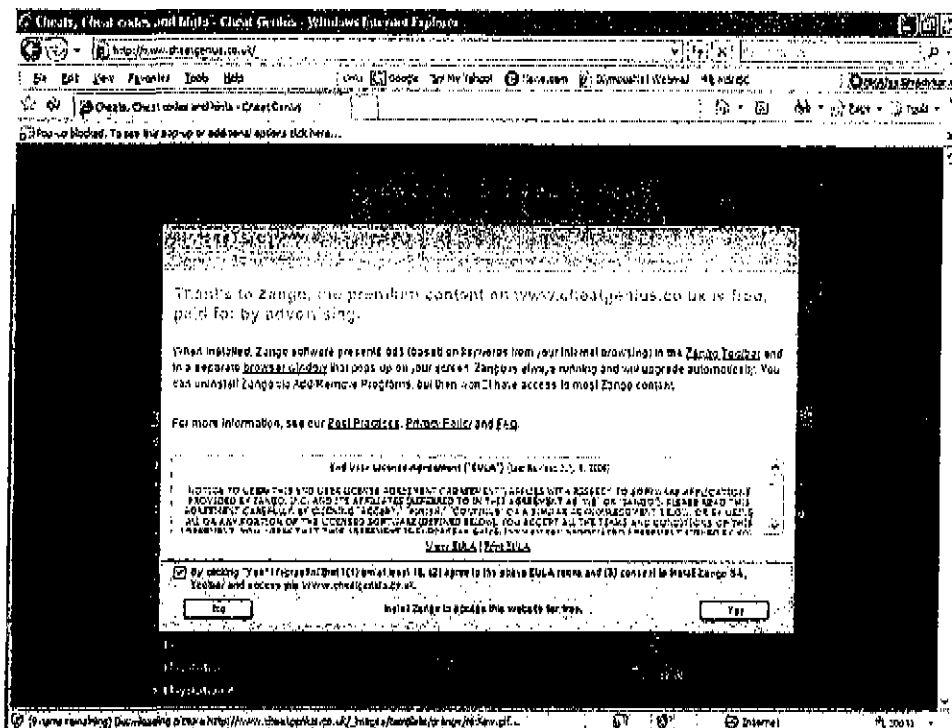


When user clicks 'No' button, this dialogue appears:

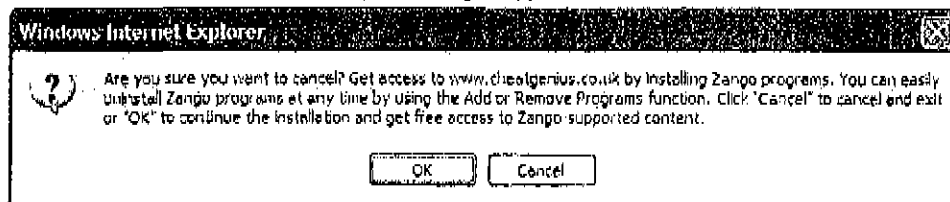


UPDATED: 07 MAY 2007

User Consent Interface Screen at Partner site at www.cheatgenius.co.uk

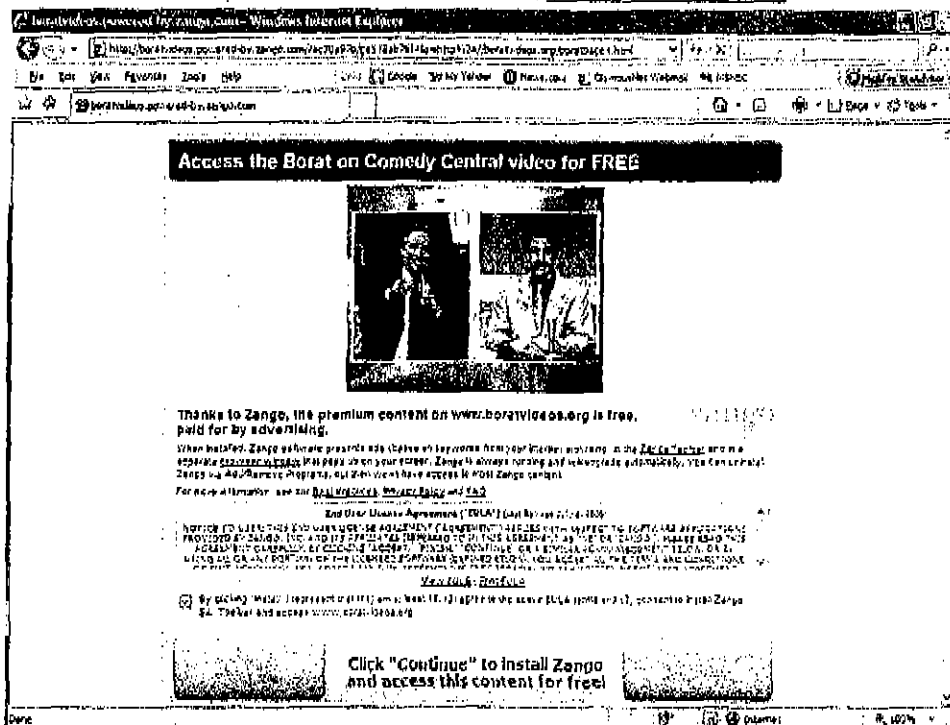


When the user clicks the 'No' button, this dialogue appears:

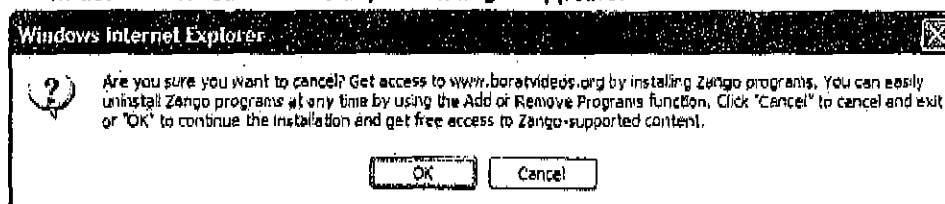


CONFIDENTIAL

07 MAY 2007

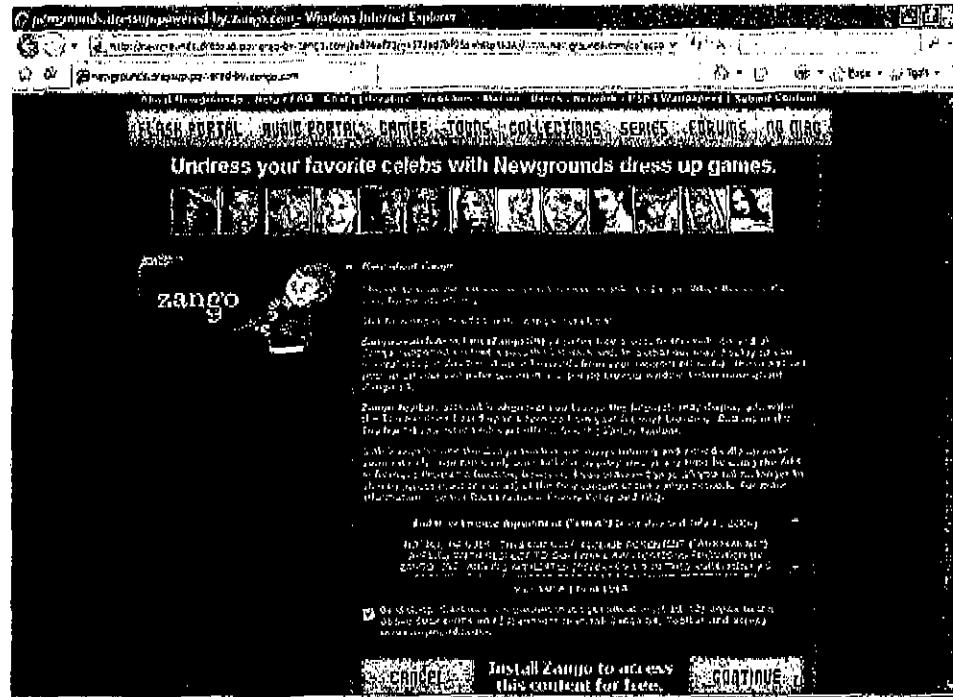
User Consent Interface Screen at Partner site at www.boratvideos.org

When user clicks 'Cancel' button, this dialogue appears:



UPDATED: 07 May 2007

User Consent Interface Screen at Partner site at www.newgrounds.com



The Honorable Cheryl Carey

SUPERIOR COURT OF WASHINGTON FOR KING COUNTY

ZANGO, INC.,

Plaintiff,

Y.

PC TOOLS PTY LTD.,

Defendant.

No. 07-2-15844-8 SEA

**AFFIDAVIT OF STEVEN W. FOGG RE:
FILING FACSIMILE SIGNATURE
(DECLARATION OF RICHARD
PURCELL)**

STATE OF WASHINGTON)

) ss.

COUNTY OF KING

Steven W. Fogg, being duly sworn, states:


I. I am one of the attorneys for Plaintiff in this matter. I have personal knowledge of the facts stated below, and am competent to testify regarding the matters discussed herein.

2. Pursuant to GR 17(2), there is a facsimile signature on the accompanying Declaration of Richard Purcell. A signed original will be filed as soon as possible. I have

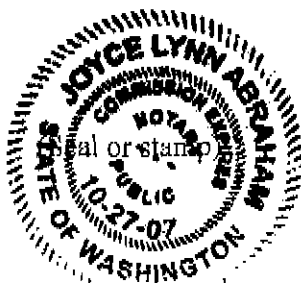
AFFIDAVIT OF STEVEN W. FOGG RE: FILING FACSIMILE
SIGNATURE (DECLARATION OF RICHARD PURCELL) - 1

**CORR CRONIN MICHELSON
BAUMGARDNER & PREECE LLP**
1001 Fourth Avenue, Suite 3900
Seattle, Washington 98154-1051
Tel (206) 625-8600
Fax (206) 625-0900

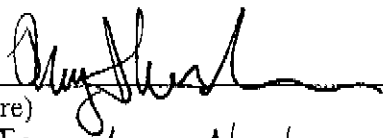
1 examined the document, determined that it consists of six (6) pages, including these two (2)
2 affidavit pages, and thirteen (13) pages of exhibits and that it is complete and legible.

3
4 
5 Steven W. Fogg

6 Signed and sworn to before me on May 7, 2007.



(Signature)


Joyce Lynn Abraham

(Name legibly printed or stamped)

Notary Public in and for the State of
Washington, residing at Seattle. My
appointment expires 10-27-07.

AFFIDAVIT OF STEVEN W. FOGG RE: FILING FACSIMILE
SIGNATURE (DECLARATION OF RICHARD PURCELL) - 2

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